

CONFORMED COPY

CREDIT NUMBER 4291-IN

Financing Agreement

(Andhra Pradesh Community-Based Tank Management Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 8, 2007

CREDIT NUMBER 4291-IN

FINANCING AGREEMENT

AGREEMENT dated June 8, 2007, between INDIA, acting by its President (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS the Recipient has requested the Bank to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Recipient and the Bank (“Loan Agreement”), the Bank is agreeing to provide such assistance in an aggregate principal amount equal to ninety four million five hundred thousand Dollars (\$94,500,000) (“Loan”).

NOW THEREFORE, the Recipient and the Association hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Financing Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II —FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to sixty three million Special Drawing Rights (SDR 63,000,000) (“Credit”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 15 and October 15 in each year.

- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III - THE PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that all conditions precedent to the effectiveness of the Loan Agreement shall have been fulfilled, other than those related to the effectiveness of this Agreement.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Recipient.
- 5.02. The Recipient's Address is:

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance, North Block
New Delhi 110 001, India

Cable address:	Telex:	Facsimile:
ECOFAIRS New Delhi	953-31-66175 FINEIN	91-11-23093422

5.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By

/s/ Madhusudan Prasad
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Salman Zaheer
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Project Implementing Entity in (a) improving agricultural productivity with the assistance of selected tank-based producers; and (b) improving the management of tank systems with the assistance of selected WUAs.

The Project consists of the following components:

Part A: Institutional Strengthening

Enabling WUAs, FCSs, and FIGs to assume greater responsibility for tank system management and for improvement of tank-based agricultural livelihoods through the provision of: (i) capacity building to support self-management by community-based institutions; (ii) technical assistance for preparation, implementation and monitoring of TIMPs; (iii) technical assistance to SOs to assist with community mobilization and formation of FIGs; (iv) facilitation support to lead farmers of WUAs; and (v) workshops, training and capacity building for SO staff, Project staff and other relevant functionaries in other key areas, including, *inter-alia*, the planning and implementation of tank system rehabilitation works, the preparation and implementation of O&M plans, the assessment and collection of water charges, the maintenance of records and accounts, improved water-sharing and utilization, and participatory monitoring, learning and evaluation.

Part B: Minor Irrigation Systems Improvements

Enhancing water use efficiency in tank areas selected under the Project through (i) the physical rehabilitation of about 3000 tank systems covering about 250,000 hectares of cultivable area; and (ii) the promotion of more effective utilization of groundwater in selected tank systems rehabilitated under the Project.

Part C: Agricultural Livelihoods Support Services

Enhancing tank-based livelihoods by increasing production, productivity and profitability of agriculture, horticulture, fisheries, livestock and other significant productive activities through: (i) improvements in production technologies and management practices; (ii) better input and output market linkages; (iii) more efficient and effective delivery of key support services; (iv) augmentation of community-level productive capacities, as well as improvement of infrastructure; and (v) the provision of Grants to WUAs from the Marketing and Agribusiness Fund to promote access to non-traditional markets by collective marketing groups, promote post-harvest processing and other value-addition activities and promote agri-business ventures.

Part D: Project Management

Supporting the PMU and Project cells in other agencies and at the state and district levels, through the provision of technical assistance and the financing of operating costs, to assist in the implementation, coordination, monitoring, and evaluation of the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity, under terms and conditions satisfactory to the Association.
2. The Recipient shall protect the interests of the Association to accomplish the purposes of the Financing.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester (*i.e.*, every six months), and shall be furnished to the Association not later than six weeks after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than one (1) month after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding, subject to the following additional procedures:
 - (i) The Procurement Plan shall specify the circumstances under which such procurement method may be used.
 - (ii) Standard bidding documents and procedures approved by the Association shall be used.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting
(d) Force Account
(e) Community driven Procurement

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection, subject to the following additional procedures:

- a) The Procurement Plan shall specify the circumstances under which such procurement method may be used; and
- b) Standard Request for Proposal documents and procedures approved by the Association shall be used.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality Based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection Based on Consultants Qualifications
(e) Single Source Selection
(f) Selection of Individual Consultants as per the Guidelines

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing, and Borrower may withdraw the proceeds of the Loan, in accordance with the provisions of this Section and such additional instructions as the Association or Bank, as the case may be, may specify by notice to the Recipient or Borrower, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing and the Loan, the allocation of the amounts of the Financing and the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Amount of the Loan Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed
(1) Goods, works, and services, training and workshops, Operating Costs and Grants	63,000,000	94,500,000	90%
(2) Front-end Fee	0	0	
TOTAL AMOUNT	63,000,000	94,500,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US\$1,250,000 from the Loan and SDR 840,000 from the Credit may be made for payments made prior to this date but on or after June 1, 2006.

2. The Closing Date is December 31, 2012.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15:	
Commencing October 15, 2017 to and including April 15, 2027	1.25%
Commencing October 15, 2027 to and including April 15, 2042	2.50%

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. "AAPs" means Annual Action Plans prepared and submitted by DPUs to the PMU for consolidation (as these terms are hereinafter defined) detailing the implementation and supervision of the various Project activities to be undertaken on tank systems within the Project Area (as this term is hereinafter defined).
2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004.
4. "DPUs" means "District Project Units" responsible for the implementation of all project related administrative, financial and technical approvals at the district level and will be responsible for management of all civil works, goods and services; achievement of physical and financial milestones; quality and assurance; and working closely with communities to achieve the Project development objectives.
5. "FCSs" means "Fishermen Cooperative Societies."
6. "FIGs" means "Farmer Interest Groups."
7. "Fiscal Year" means the Recipient's fiscal year beginning April 1 and ending March 31 the following year.
8. "General Conditions" means the "International Development Association General Conditions for Credits and Grants," dated July 1, 2005.
9. "Grant" means a grant made or proposed to be made by the Project Implementing Entity (as this term is hereinafter defined) to a WUA (as this term is hereinafter defined), out of the proceeds of the Credit or Loan allocated from time to time to Component C (v) of the Project, as the case may be, to finance the carrying out of a subproject by a WUA in accordance with the criteria and procedures set forth in the PIP (as this term is hereinafter defined) and consistent with the Project Agreement.
10. "Loan Agreement" means the loan agreement for the Project between the Borrower and the Bank, dated the same date as the Financing Agreement, as such loan agreement may be amended from time to time. "Loan Agreement" includes all appendices, schedules and agreements supplemental to the Loan Agreement.

11. “Marketing and Agribusiness Fund” means the funding mechanism to provide Grants to WUAs to promote access to non-traditional markets by collective marketing groups, to promote post-harvest processing and other value-addition activities and to promote agri-business ventures.
12. “Monitoring and Evaluation (M&E) Agency” means the Project Implementing Entity’s (as this term is hereinafter defined) external monitoring unit that will conduct a Project baseline survey, as well as conduct other audits at mid-term and project completion to assess the implementation of the Project.
13. “Operating Costs” means reasonable and necessary expenditures incurred by the PMU (as this term is hereinafter defined) and other agencies, including salaries of incremental staff, with respect to Project implementation, coordination, and monitoring.
14. “Operations Manual” means the Project Operations Manual, dated February 28, 2007, and adopted by the Project Implementing Entity, as may be amended and satisfactory to the Association, containing, *inter-alia*, the operating procedures for carrying out the Project.
15. “PIP” means the Project Implementation Plan, dated February 28, 2007, and adopted by the Project Implementing Entity, as maybe amended and satisfactory to the Association, containing, *inter-alia*, the procedures for implementing the Project, including the SEMF (as this term is hereinafter defined) and M&E, and also including the criteria for the eligibility and selection of WUAs and Subprojects, and the procedures for carrying out Subprojects.
16. “PMU” means the Project Implementing Entity’s Project Management Unit, to be established and maintained and responsible for Project coordination activities and the facilitation of Project implementation by the line departments and other agencies of the Project Implementing Entity.
17. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
18. “Procurement Plan” means the Project Implementing Entity’s (as this term is hereinafter defined) procurement plan for the Project, dated February 28, 2007, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
19. “Project Area” means about 3000 tank systems covering about 250,000 hectares of cultivable area, selected by the Project Implementing Entity and approved by the Association.

20. “Project Director” means the director of the Project, employed by the Project Implementing Entity to head the PMU.
21. “Project Implementing Entity” means the State of Andhra Pradesh
22. “SEMF” means the Project Implementing Entity’s Social Environmental Management Framework included in the PIP dated February 28, 2007, which sets forth the environmental and social management framework to address environmental and social issues and impacts arising from, or likely to result from, the carrying out of the Project, together with the environmental, pest management, cultural property, involuntary resettlement, tribal development and safety of dams-related actions, measures and policies applicable to the design and implementation of the Project.
23. “SOs” means non-government support organizations recruited by the PMU and DPUs, to facilitate community mobilization, participation, and institutional strengthening of the WUAs (as this term is hereinafter defined), FCSs and FIGs, and also supervise project interventions at the WUA level.
24. “TIMP” means Tank Improvement and Management Plan which, through a participatory process, the Project Implementing Entity shall identify and prioritize desirable rehabilitation interventions for selected tanks, as well as prepare cost estimates and implementation plans for such rehabilitation, and future plans for operation and maintenance.
25. “WUAs” means Water User Associations operating pursuant to the Andhra Pradesh Farmer Management of Irrigation Systems Act, 1997, to which all Project Area farmers and other eligible tank users will belong and which will play an active role in (i) the planning, implementation and supervision of Parts A, B and C of the Project; (ii) procurement of goods, works and services under Parts B (i) and B (ii) of the Project; and (iii) self-monitoring of cost effectiveness and sustainability.